

Key lessons from Taxonomy 2.8.0 and recommendations for enhanced implementation

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Key lessons learnt

This presentation outlines key lessons learned and provides specific recommendations for future improvements.

- 1 Improved quality control of instructions and related information before publication
- 2 Enhanced documentation structure/governance
- 3 Legal binding nature of the regulation
- 4 Proactive information dissemination
- 5 Validation management
- 6 Timely and clear communication
- 7 Timely publication of new taxonomies
- 8 Targeted/improved workshop efficiency and frequency
- 9 Use of future mandates

1 Improved quality control of instructions and related information before publication

Key lesson learnt

- Frequent errors/inconsistencies in final published texts/documents point to the need for stronger quality control before publication.
- Address issues promptly to avoid extra costs and burdens for undertakings.



Recommendations

- EIOPA should ensure thorough quality checks before publication.
- Swiftly addressing the inconsistencies between the ITS on and the templates, related instructions and taxonomy.
 - Inform stakeholders transparently if errors or inconsistencies cannot be immediately addressed.
 - Maintain a single, central document for all errors/ changes/ inconsistencies/ updates.
- Propose feasible IT solutions when it comes to reporting templates, including a focus on clear reporting instructions.

2 Enhanced documentation structure/governance (1/2)

Key lesson learnt

- Documentation updates are spread across multiple sources, leading to confusion.
- Enhanced documentation and a more robust governance structure is needed.



Recommendations

- Improve documentation structuring and clearer mapping of changes.
- Ensure corrections to published documents are consultable in one central area and specifically for Q&As, each addressing a single error.
- Maintain Excel format 'annotated template' and highlight changes and include deleted templates/cells for reference.
 - Indicate whether the change involves the reporting table, the instructions of individual cells or the validation rules.

2 Enhanced documentation structure/governance (2/2)

Key lesson learnt

- Documentation updates are spread across multiple sources, leading to confusion.
- Enhanced documentation and a more robust governance structure is needed.



Recommendations

Regarding LOG instructions:

- Enhance log instructions
 - For example, consider publishing known sums and other calculations that are not clearly shown/described in the log instructions.
- Make available in a more user-friendly format and provide them in track changes (as previously done for 2.8.0).
 - For example, by following the SII single rulebook, by dedicating one page per QRT, that would include the references/links to the relevant logs, Q&As, ECB addons, guidelines.
- Avoid that instructions lead to extra mandatory reporting requirements
- Publish instructions well in advance of deadlines.

3 Legal binding nature of the regulation

Key lesson learnt

- Some legal requirements of the implementing regulation, including technical specifications from the appendices, deviate from the regulation in terms of technical implementation.
- The ITS becomes leading and contradicts the legally binding EC implementing regulation.
- As a result, technically correct files that don't match the ITS can be rejected by NSAs.
- *Example: For the K-sector, templates S.37.01 and S.37.02, Annex III notes expect the "first hierarchical level – letter" of the sector, while technical tests require an alphanumeric 5-digit sector code. This is showing discrepancies between regulation and implementation.*



Recommendations

- Ensure that Commission Implementing Regulation remains legally binding (*Regulation (EU) 2023/894, especially the technical requirements from Annexes I to VI*).
- Alternatively, communicate clearly which documents are binding for reporting.
- If EIOPA identifies errors in officially published documentation, it should clearly indicate additional documents to prevent misreporting.

4 Proactive information dissemination

Key lesson learnt

- Information sharing is seen as passive, requiring companies to monitor EIOPA's webpages for updates.
- Although an RSS feed is available, it's difficult to install and lacks key elements like Q&A revisions, leading to delayed access to critical information.



Recommendations

- Implement proactive communication tools, such as a changelog or newsletter, to keep stakeholders updated.
- Improve the RSS feed's usability on the EIOPA DPM/XBRL page, making it easier to use and allowing anonymous questions.

5 Validation management

Key lesson learnt

- New validations in QRTs have caused unforeseen errors and messages in data cells that were anticipated to have remained unchanged during testing.
- These errors, often discovered during testing, require undertakings to spend significant time identifying the causes.



Recommendations

- **Thoroughly check validations before including them to ensure accuracy and reliability**
- Clearly outline validation changes and cross-checks to help companies resolve issues.
- Internal model reporting relies heavily on the model architecture. To streamline the process, validation checks should be minimised by focusing only on verifying QRT consistency, without checking embedded formulas.

6 Timely and clear communication

Key lesson learnt

- EIOPA's often delayed responses make monitoring difficult, even with the Q&A tool.
- Due to time constraints and deadlines, many undertakings rely on interpretations when implementing changes in their IT systems.
- Clarifications provided after publication often require additional IT changes for QRT data cells.



Recommendations

- Issue clear and timely instructions/logs from the start to reduce the need for Q&As.
- Implement a fast and responsive process for handling Q&As.

7 Timely publication of new taxonomies

Key lesson learnt

- Major changes, like Taxonomy 2.8.0, have been challenging due to tight deadlines between the final ITS drafts (March 2022) and the first submissions (Q1 2024).
- New taxonomies should be published promptly to give companies enough time for implementation.
- For significant QRT changes, companies need sufficient time to adapt and prepare.



Recommendations

- **Publish taxonomies early** to allow sufficient time for implementation and reduce disruptions.
- **Limit major taxonomy changes** to essential updates, aiming for a 5-year cycle or less frequent.
- **Consider companies' preparation time** (e.g., annual reports, first quarterly implementation) when setting deadlines.
- **Avoid late ECB changes**, as they are often outside the main taxonomy framework and hard to locate on the ECB website. taxonomies well in advance to allow time for implementation and minimise disruptions.

8 Targeted/improved workshop efficiency and frequency

Key lesson learnt

- Workshops on QRTs provide valuable insights, but mixed audiences can make them overwhelming.
- The events during which EIOPA addressed many unanswered questions and published comprehensive answers were particularly appreciated.



Recommendations

- **Differentiate workshops based on audience segments** (business vs. technical) to improve efficiency and relevance.
- **Increase the frequency of workshops** to address questions regarding new taxonomy developments.

9 Use of future mandates

Key lesson learnt

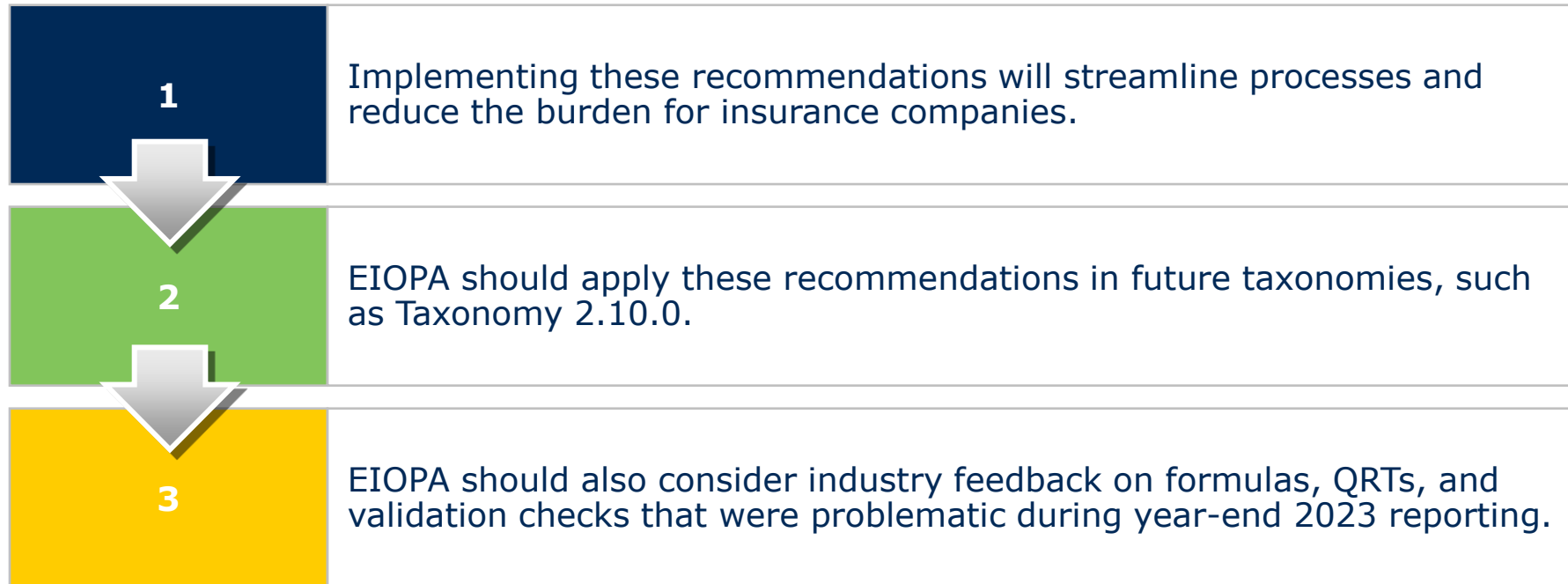
- The Solvency II Directive amendments provide mandates that, if used efficiently, can reduce the reporting burden on companies and streamline processes.



Recommendations

- To reduce the burden EIOPA should **efficiently apply the mandates in the Amended SII Directive**, including:
 - ITS on RSR reporting templates and
 - Joint ESAs report on potential measures to develop an integrated data collection.
- **Only** introduce **changes when** there is a **clear supervisory need**.

Conclusion and next steps





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